

COVID-19 Recovery Committee

20th Meeting (Session 6), Thursday 22nd September 2022

Covid Recovery Strategy

Pre-budget Scrutiny

Introduction

This week's meeting will see the Committee take further evidence as part of its pre-budget scrutiny.

The meeting will be in the form of a roundtable discussion with a central focus on the [Covid Recovery Strategy](#). The Committee issued a call for views to consider the following questions on the Covid Recovery Strategy:

- Is there sufficient clarity and transparency surrounding the indicative spending plans in the Resource Spending Review associated with Covid recovery and the ongoing costs of the pandemic?
- To what extent is the Covid Recovery Strategy reflected in the Resource Spending Review and the Medium-Term Financial Strategy (MTFS)?
- What are your thoughts on the level of detail provided on the provisional spending allocations for Covid recovery contained in the Resource Spending Review and MTFS?
- The Covid Recovery Strategy states its aim to make progress towards a "wellbeing economy." What do you understand "wellbeing economy" to mean, and is there any link with this and the allocations for Covid recovery in the Resource Spending Review?
- The Equality and Fairer Scotland Statement show evidence where the impact of Covid has not been felt equally across Scottish society. Do the Resource Spending Review and MTFS provide sufficient detail as to how the Scottish Government will provide funding to address the inequalities associated with the impact of Covid throughout the recovery period?

These questions form the basis of today's roundtable discussion. The following witnesses will be in attendance:

- **Sarah Watters**, Director of Membership and Resources, Convention of Scottish Local Authorities (COSLA)
- **Alfrun Tryggvadottir**, Lead, Spending Review and Machinery of Government, OECD
- **Dr Lukas Hardt**, Policy and Engagement Lead, Wellbeing Economy Alliance Scotland
- **Rob Gowans**, Policy and Public Affairs Manager, The Alliance
- **Professor Mairi Spowage**, Director, Fraser of Allander Institute

Background - Covid Recovery Strategy

On 5 October 2021, the Scottish Government published its Covid Recovery Strategy.

The strategy is intended to set out the Scottish Government's vision for recovery, focusing on efforts to tackle inequality and disadvantage arising from the COVID-19 pandemic.

The strategy outlines three key principles guiding the Scottish Government's vision of recovery:

1. Address the systemic inequalities made worse by COVID-19.
2. Make progress towards a wellbeing economy.
3. Accelerate inclusive person-centred public services.

The strategy makes clear that a thriving economy underpins a successful recovery, requiring collaboration from all sectors.

The need to provide a collaborative approach to recovery, harnessing the potential of public, private and third sectors is also one of the key learnings identified in the [Royal Society of Edinburgh's Post-Covid-19 Future Commissions Report](#). The Scottish Government [welcomed this report](#).

In the [foreword, as highlighted by Deputy First Minister and Cabinet Secretary for Covid Recovery, John Swinney MSP](#):

"This recovery strategy is neither the end of the story, nor the whole of it. A vast amount of work has already been undertaken and more will follow. It does not seek to provide the level of detail on recovery plans for individual public services, but it does provide the overall principles that will guide them."

Members should be aware that the policy framework outlined in the Covid Recovery Strategy builds upon existing strategies within other portfolios and impacts across a broad scope of portfolio delivery. These existing strategies and the Covid Recovery Strategy will be subject to scrutiny by multiple parliamentary committees and external bodies. This is likely to lead to a complicated scrutiny landscape, with

potentially competing recommendations for the Scottish Government, and therefore a challenge for Parliament to track progress.

It is also worth keeping in mind that for the Scottish Government to meet its own targets, it must operate within the frameworks set out in the most recent [Resource Spending Review \(RSR\)](#) and multi-year timescales in the [Medium-Term Financial Strategy \(MTFS\)](#). While the RSR is not a budget and the numbers contained will inevitably change, it is a useful document to give an indication of priorities over the multi-year timescale and projections outlined in the MTFS.

The [Equality and Fairer Scotland Statement](#) is also relevant to pre-budget scrutiny, as the report considers how the spending review and other initiatives tackle the challenges identified when it comes to inequality, fairness, and human rights in Scotland.

Key issues

The following section details possible areas of the Covid Recovery Strategy for questioning and themes for the roundtable discussion.

[A call for views was opened on 30 June 2022 and closed 9 September 2022.](#)

Covid Recovery Strategy – spending

As mentioned previously, spending plans in the RSR give an indication of the Scottish Government’s priorities. The [below tables from the RSR](#) outline indicative spending plans for health and other sectors throughout the recovery period:

Table 2: Health and Social Care Portfolio Spending Plans

Level 2*	2022-23	2023-24	2024-25	2025-26	2026-27
£m, cash					
Health and Social Care	17,084	17,527	17,972	18,513	19,006
Food Standards Scotland	23	23	23	23	23
Total	17,106	17,550	17,995	18,536	19,029

*Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Table 10: Deputy First Minister and Covid Recovery Portfolio Spending Plans

Level 2*	2022-23	2023-24	2024-25	2025-26	2026-27
£m, cash					
Public Service Reform	3	3	3	3	3
Government Business and Elections	14	15	14	15	44
Organisational Readiness	26	25	26	26	26
Total	43	43	43	43	73

*Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Table 2 shows an 11% projected cash-terms increase for the health and social care portfolio in 2026-27 to over £19 billion. No detailed spending plans are apparent below level 2 – meaning it is unknown if certain services or organisations will receive a greater uplift than others.

Commenting on the Spending Plans outlined in Table 2, **Alcohol Focus Scotland** stated, in their written submission:

“We appreciate that these figures include projections and are subject to change, but we would like to see more detail provided in the Level 2 proposals and more in-depth explanations of where the £17,527 million for 2023-24 will go, in advance of the Budget’s publication”

Some commentators note that the RSR will result in a tight settlement for health, particularly given the post-pandemic backlogs and pressures facing the sector from other issues impacting the wider economy such as pay inflation and rising energy prices.

At the [COVID-19 Recovery Committee meeting on Thursday 8 September 2022](#), Carolyn Low, Director of Finance for NHS National Services Scotland, said:

“We have been given additional resources this year, but what we have seen is the money that we have had in the past to respond to COVID – which in practice was unlimited during the pandemic – it felt as if we were resourced properly to do what we had to do...the reality is that this spending resource has stopped. We now need to get back to a position that is more sustainable, and we have wider pressures around inflation that we need to deal with.” - 0:32:20 mark.

The cost crisis and rising inflation is likely to have a significant impact on Scottish Government policy; and therefore, its Covid Recovery Strategy.

John Swinney MSP, in his [statement to the chamber during the public sector pay and emergency budget review update](#) on 7 September 2022, stated regarding rising inflation:

“The result is simple: almost every cost that the Government incurs has risen.”

It is estimated by the Scottish Government that the budget published in December 2021 is now worth £1.7 billion less due to inflation; however, the basis for this figure is unclear. The Deputy First Minister also went on to state that:

“The emergency budget review must both identify funding to cope with inflation-driven cost increases and aim to support those who most need our help during the crisis.”

It is therefore likely that an emergency budget review, and the aims which underpin the need for one, would also align with the aims identified in the Covid Recovery Strategy, which seeks to tackle economic inequality.

The Scottish Government has committed to publishing the outcome of the emergency budget review within two weeks of the UK Government’s own fiscal event. It should then become clearer the impact this review will have on the long-term goals of the Covid Recovery Strategy.

It should also be noted that the OECD has developed a [Covid-19 Recovery Dashboard](#) with twenty indicators in order to monitor the quality of Covid recovery.

Members may wish to explore:

- **How effectively does the Covid Recovery Strategy connect the various spending allocations across different portfolio areas and allow for scrutiny?**
- **How does the Covid Recovery Strategy compare to recent comments made by the Deputy First Minister in reference to the Emergency Budget Review?**
- **To what extent have inflationary pressures impacted on the potential effectiveness and validity of the outcomes set out in the Covid Recovery Strategy?**
- **Regarding the OECD’s Covid-19 Recovery Dashboard, how was this developed and why were the indicators chosen?**

Clarity and transparency

[Scotland’s Open Government Action Plan 2021-25](#), published in March 2022, affirms the Scottish Government’s commitment to:

“Deliver Covid Recovery in an open, accountable and person-centred way that builds and maintains trust.”

The need for transparent financial planning is echoed by [Audit Scotland in their most recent financial report](#). One of the key messages identified is that the Scottish Government and other public bodies must be clear about how one-off COVID-19 funding has been spent, including where spending may last several years.

Respondents to the committee's call for views were asked to consider whether there was sufficient clarity and transparency in the Government's spending plans for COVID recovery, as well as the level of detail of said plans.

ALLIANCE, in their written response, stated that in broad terms there was a fair degree of transparency as to the overall spending allocated to COVID-19 recovery, highlighting:

“Whilst further detail on exact spending would generally be welcome, we recognise that this is a framework document, and that more detailed information on expenditure will only be available within the budget.”

Stirling Council, in their written response, stated that there was not sufficient clarity and transparency, adding that reference is made to recovery and a redesign of services to increase capacity in the Resource Spending Review but that it lacked detail. Similarly, they note that links are made between the strategy in the MTFS with reference to education and employment, though they consider these links vague.

Concern as to clarity and transparency of funding for third sector organisations was also highlighted by **Volunteer Scotland** in their written submission. They state that the RSR identifies the need for long term funding for the third sector, but that this appears contrary to actual spending plans which show a reduction in funding to the third sector by £1 million in the next financial year:

“In the current economic climate this does not reflect the vital role of the voluntary sector in the ongoing recovery from Covid-19 and the cost-of-living crisis.”

Dr Lukas Hardt, of the **Wellbeing Economy Alliance Scotland**, in a written response to the committee, noted that the three key principles identified in the vision of recovery do correlate “in many ways” with where funding has been allocated in the RSR and MTFS.

However, though sections provide helpful and informative breakdown of key priorities for the Scottish Government, Dr Hardt comments that:

“There is little detail on where COVID directly aligns across the budget and how our recovery from the pandemic impacts areas beyond Health and Social Care.”

Similarly, it is also highlighted by Dr Hardt that there remains some difficulty in correlating spending allocations for Covid recovery across the RSR and MTFS. While specific consideration is given where Covid is a factor, “there are larger issues such as the cost-of-living crisis which are equally apparent”.

Concern as to clarity of spending on other areas for recovery was also highlighted by **Bòrd na Gàidhlig** in their written response, particularly regarding culture. They note

that no reference is made in the RSR and its associated documents to Gaelic, nor its role as an economic asset or how it can contribute to recovery.

Members may wish to explore:

- **How well do Budget documents allow for transparency around the allocated funding for the aims set out in the Covid Recovery Strategy?**
- **The extent to which the spending plans in the RSR (and the narrative in the MTFS) are related to the Recovery Strategy.**
- **Do Budget documents and the Covid Recovery Strategy effectively reflect the broad range of portfolio and delivery areas involved in the recovery process, in a clear and transparent way?**
- **Can the OECD outline best practice approaches to ensure clarity and transparency in the context of COVID-19 spending and recovery strategies?**
- **How does the Resource Spending Review compare to other countries who use their spending reviews to assess the success or otherwise of policies? Are there any lessons to be learned from other models?**

Rebuilding public services

The focus of Scotland's COVID-19 response has changed significantly over time. As outlined by SPICe in "[Scotland's Latest COVID-19 Strategy](#)" blog, focus has shifted from suppressing case numbers to "reducing and mitigating harm".

While this mainly focuses on adapting health measures, the Scottish Government has affirmed that tackling inequality and developing a wellbeing economy is fundamental to recovery. As outlined in the strategy:

"Covid Recovery is about bringing the urgency, flexibility and creativity that was brought to saving lives and supporting people during the pandemic, to tackling the inequality and disadvantage starkly exposed by Covid."

The Scottish Government has stated that rebuilding public services, reducing delays, and increasing capacity will be critical to the recovery strategy. The [NHS Recovery Plan](#), [Education Recovery](#), and [Vision for Justice in Scotland](#) are all intended to help deliver this aim.

Accelerating inclusive person-centred public services is one of the key principles underpinning the Scottish Government's Covid Recovery Strategy.

Stirling Council, in its written evidence, identified the need for funding of organisations to support individuals in their communities impacted by Covid and wider societal pressures:

“All residents have been impacted by Covid and many suffer from social interaction which has not improved through cost-of-living pressures. Residents could be supported within their communities to thrive”

NASUWT, in written evidence, also underlined the need for investment in key public services through use of taxation powers, particularly with regards to education, stating:

“Devolved taxes have the potential to fund the social infrastructure needed, tackling child poverty and creating a fairer and more equal society.”

It would also be prudent for members to consider what impact the planned National Care Service (NCS) may have on the wider, long-term goals of the Covid Recovery Strategy. Reference is made to the NCS in the strategy, stating it will aim to:

“Ensure care is focused on the individual and is human rights based by taking a user led approach, properly recognising the value and insight of lived experience.”

This reference was made before publication of the NCS Bill, and therefore limited detail was available at the time as to its practical framework. [SPICe has since published further detail on the Bill in a blog post.](#)

Commenting on the NCS, **ALLIANCE** stated:

“In moving forward with a National Care Service, spending plans must be human rights based and recognise third and independent health and social care organisations as equal and valued delivery partners, resourced by additional, sustainable, ongoing and secure funding.”

Members may wish to explore:

- **How effectively does the Covid Recovery Strategy support public services in developing their respective approaches to recovery i.e., does it practically inform service delivery approaches?**
- **How effectively does the Covid Recovery Strategy sit alongside other portfolio strategies and frameworks?**
- **How well does the Covid Recovery Strategy enable public services to “accelerate inclusive person-centred public services”?**

Wellbeing economy

Respondents were asked to consider what they considered a “wellbeing economy” to mean, as well as whether they thought there was a link to allocations for Covid recovery in the RSR.

In their written response, **The Royal College of Occupational Therapists (RCOT)** stated they understood a wellbeing economy to mean:

“An economic system that works to improve the wellbeing of both the current population and future generations”.

To facilitate this, RCOT believes investing in early intervention and rehabilitation services will reduce the financial burden on secondary and specialist services in the future. They also state that increasing the visibility of occupational therapists in rehabilitation settings would also help to relieve pressures on Scotland’s GP.

Dr Lukas Hardt, of the Wellbeing Economy Alliance Scotland, states that a wellbeing economy can be defined as:

“An economy designed to deliver good lives for all on a healthy planet”

The [Strategy of the Wellbeing Economy Alliance](#) also outlines five fundamental needs:

1. Dignity: everyone has enough to live in comfort, safety and dignity.
2. Participation: people take part in decision-making and engage in their communities.
3. Purpose: institutions that serve the common good.
4. Fairness: income, wealth and power distributed fairly.
5. Nature: a restored and safe natural world for all life.

In written submission, Dr Hardt also stressed that the cost-of-living crisis is “rapidly eclipsing and exacerbating” the impacts of the pandemic and will require a government response on the same scale and decisiveness - echoing the aims outlined in the Covid Recovery Strategy.

Furthermore, with regards to whether there is a link between the allocations outlined in the RSR with developing a wellbeing economy:

“Much of the spending associated with covid recovery in the Resource Spending Review is making important contributions to supporting the 5 needs for a Wellbeing Economy”

Steps in the right direction referenced in the Spending Review include policies on fair work conditions and focus on prevention in the [Whole Family Wellbeing Fund](#).

However, distinction is made between existing contributions and meaningful redesign, with Dr Hardt going on to state:

“Current spending allocations will not be sufficient to achieve a meaningful redesign towards a Wellbeing Economy”

While it is noted the Scottish Government has committed to many measures pursuant of the Wellbeing Economy Alliance, it is highlighted that these measures are not sufficiently reflected in the funding allocated by the RSR.

Concern was raised in the submission regarding community wealth building in Scotland not being back by sufficient funding for local authorities and community

organisations, nor sufficient funding to allow for meaningful participation in setting the direction of the economy – particularly when it comes to support for business models such as employee-owned companies, cooperatives, and social enterprises.

The need to assist consumers and businesses with the costs crisis was highlighted by **David Lonsdale, Director of the Scottish Retail Consortium**, who submitted as evidence the SRC's report titled "Weathering the Storm: Tackling the Costs Crisis".

One key point highlighted is that consumer spending is being challenged by surging inflation and rising household energy costs. The SRC recommends that the Scottish Government protect workers on modest earnings by ruling out increases in Scottish income tax rates, and ensure they benefit from any acceleration to proposed reduction in the headline rate of UK income tax.

A rise in taxation, according to the SRC, could hinder economic growth and therefore the aims of the Covid recovery strategy.

The SRC report also pays particular attention to reducing the cost of government, noting that the Spending Review outlines the need to cut costs and think differently as to how services are provided. The SRC suggests reducing the number of public bodies, including local authorities, rates assessors, and licensing boards could assist in accomplishing this task.

Members may wish to explore:

- **Does the Covid Recovery Strategy effectively detail ways in which progress towards a wellbeing economy can be measured?**
- **How would the witnesses define a wellbeing economy?**
- **How effectively does the Covid Recovery Strategy pinpoint the levers to achieve a wellbeing economy, across differing sectors?**
- **How can the Scottish Government balance the competing pressures of the cost crisis, Covid recovery and achieving a wellbeing economy?**
- **To what extent should these competing pressures (and other pressures) be interlinked or considered distinct, particularly with regards to outcome-based scrutiny?**
- **Can COSLA provide further detail on how delivery partners can contribute to Covid and economic recovery? Can examples be given of where this is already happening?**

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